

Message Text

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51

ACTION AF-04

INFO OCT-01 SS-14 ISO-00 NSC-10 NSCE-00 SSO-00 INRE-00

CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 AID-10 SCI-03

NASA-01 EB-03 AGR-03 XMB-01 TRSE-00 CIEP-01 L-02 SY-02

CPR-01 PM-03 OMB-01 STR-01 DRC-01 /074 W

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O R 291205Z OCT 73

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC IMMEDIATE 5731

INFO AMEMBASSY NAIROBI

C O N F I D E N T I A L TANANARIVE 1478

LIMDIS

E. O. 11652: GDS

TAGS: ETRD, TSPA, MA, US

SUBJ: FOREIGN MINISTER RATSIRAKA'S VISIT TO US

REFS: A) STATE 212393(NOTAL); B) TANANARIVE 1470(NOTAL)

FOR: REDSO/EA-NAIROBI

BEGIN SUMMARY: RATSIRAKA WILL UNDOUBTEDLY PUSH HARD FOR U.S. CREDITS TO HELP FINANCE MASSIVE MALAGASY RICE IMPORTS, AND LIKELY LINK MATTER TO NASA STATION NEGOTIATIONS, PARTICULARLY LAND RENT. MADAGASCAR ALSO APPARENTLY SEEKING IMF CREDIT FOR RICE PURCHASES. END SUMMARY.

1. MALAGASY FONMIN RATSIRAKA'S ARRIVAL IN U.S. FOR RICE PURCHASES APPEARS PROVIDE MISSING EXPLANATION FOR SHIFT IN VENUE OF NASA STATION AGREEMENT NEGOTIATIONS FROM TANANARIVE TO WASH. HE IS LIKELY TO TRY LINK U.S. CREDIT FOR RICE PURCHASES TO RENEWAL STATION AGREEMENT AND, FAILING SUCH CREDIT, TO ASK FOR SUBSTANTIAL LAND RENT. DEPT MAY IN THIS CONNECTION WISH PLAY AID RAILROAD LOAN CARD WHICH IS STILL IN RESERVE.

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2. THIS KIND OF BARGAINING WOULD BE ENTIRELY IN KEEPING WITH RATSIRAKA'S NORMAL APPROACH TO NEGOTIATIONS. HE HAS IN PAST TOLD ME QUITE FRANKLY, WITH REFERENCE TO LAND RENT PROVISION IN EXISTING NASA STATION AGREEMENT, THAT HE HAS TO BE IN POSITION OF APPEARING TO DO UTMOST TO PROTECT MALAGASY INTERESTS. (RATSIRAKABJS DEPARTURE FOR U.S. WITHOUT ANY WORD WHATSOEVER TO THIS EMBASSY IS ALSO IN KEEPING WITH MODUS OPERANDI HE DISPLAYED IN EARLIER NEGOTIATIONS WITH FRENCH.)

3. MOREOVER, EMBASSY HAS LEARNED THAT RATSIRAKA MAY NOW HAVE BEEN PUT ON SPOT BY ECONOMIC AND FINANCIAL OFFICIALS IN GOMR BECAUSE THEY HOLD HIM RESPONSIBLE FOR PULLING MADAGASCAR OUT OF FRANC ZONE IN MAY AFTER THEY FELT THEY HAD REACHED AGREEMENT IN MARCH WITH FRENCH WHICH WOULD HAVE GIVEN MALAGASY SUBSTANTIAL FINANCIAL AUTONOMY, BUT WOULD HAVE LEFT COUNTRY IN FRANC ZONE WITH ACCESS TO FRENCH CREDIT. ACCORDING TO THIS VIEW, DESPERATE MALAGASY NEED FOR CREDIT FOR RICE PURCHASES COULD HAVE BEEN MET BY FRENCH CREDITS. THUS, NOW UP TO RATSIRAKA TO HELP LOOK FOR ALTERNATIVES.

4. AT SAME TIME, HOWEVER, LAMBERTO DINI, SENIOR ADVISOR, AFRICAN DEPT OF IMF, ARRIVED IN MADAGASCAR OCT 25, QUITE EVIDENTLY BECAUSE OF MALAGASY APPEAL TO IMF FOR CREDIT. DINI HAS ALREADY ASKED DCM ABOUT POSSIBILITY OF U.S. CREDITS FOR RICE PURCHASES. UNLESS DEPT ADVISES TO CONTRARY, I SHALL, ON BASIS PREVIOUS INFO, TELL PM AT MEETING HE HAS REQUESTED FOR OCT 30 THAT THERE APPEARS BE NO PROSPECT U.S. CREDITS FOR THAT PURPOSE THIS YEAR.

5. FOR DEPT'S FURTHER BACKGROUND ON RICE SITUATION, OFFICIALS IN MIN ECON & FINANCE TOLD PRESS LAST WEEK THAT, IN VIEW DIFFERENCE BETWEEN WORLD PRICE AND INTERNAL MALAGASY PRICE FOR RICE, GOMR WOULD HAVE TO SUBSIDIZE 200,000 TONS OF RICE IMPORTS THIS CROP YEAR TO AMOUNT OF 13 BILLION MALAGASY FRANCS (OVER \$600 MILLION). TO MEET THIS EXPENDITURE, THEY SAID GOVT WOULD HAVE TO USE BULK OF 15 BILLION FRANCS EARLIER EARMARKED IN BUDGET FOR PRODUCTION EXPENDITURES. THERE ARE NOW INDICATIONS THAT GOVT MAY RAISE INTERNAL RICE PRICE FROM 36 TO ABOUT 46 FRANCS PER KILO. WHILE THIS MIGHT SOMEWHAT REDUCE SUBSIDY REQUIREMENT, INTERNAL PRICE WOULD STILL BE FAR BELOW WORLD PRICE
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WHICH REPORTEDLY AROUND 100 MALAGASY FRANCS PER KILO.

6. IN SAME PRESS INTERVIEW MALAGASY OFFICIALS INDICATED MADAGASCAR WOULD HAVE TO SPEND ABOUT \$100 MILLION IN FOREIGN EXCHANGE TO COVER RICE IMPORTS. SINCE LAST INFO AVAILABLE TO EMBASSY INDICATED MALAGASY FOREIGN EXCHANGE RESERVES OF ABOUT \$75 MILLION, THIS INDICATES SCOPE OF PROBLEM FACING GOVT AND WHY FOREIGN CREDITS BEING PURSUED VIGOROUSLY.

MENDENHALL

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